

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 PRS-01 PA-01

USIA-06 EUR-12 AF-06 /106 W
----- 019823

R 041100Z FEB 75

FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC 3285

INFO AMEMBASSY RABAT

C O N F I D E N T I A L CASABLANCA 0079

E.O. 11652: GDS

TAGS: EINV, ENRG, EIND, MO

SUBJECT: BREAKDOWN OF ESSO-SNPP NEGOTIATIONS

REF: CASABLANCA 012

1. SUMMARY: ESSO NEGOTIATORS ROOT (ESSO-AFRICA,LONDON) AND SKANE (ESSO MAROC) SPENT FIVE DAYS LAST WEEK IN FURTHER ROUND NEGOTIATION WITH SNPP PRESIDENT DOUEIB AND HIS DEPUTY. NEITHER SIDE APPEARS READY TO MAKE CONCESSIONS ON BASIC DIFFERENCES AND ESSO NEGOTIATORS BELIEVE THEIR MANAGEMENT (ESSO EUROPE AND ESSO AFRICA) WILL NOW DECIDE ON LEGAL STEPS TO WITHDRAW TRADE MARK FROM MOROCCO IN MEETINGS SCHEDULED LONDON THIS WEEK. THEY JUDGE GOM WILL REGARD THIS AS END OF NEGOTIATION, THOUGH LEGAL PROCESSES MAY DRAG ON FOR EXTENDED PERIOD. END SUMMARY.

2. OF TWO MAJOR OUTSTANDING ISSUES , PRICE/REPATRIATION AND MANAGEMENT CONTROL, ESSO HAD LAST WEEK PROPOSED FORMULA THEY THOUGHT MIGHT BE ACCEPTABLE TO SNPP ON PRICE/REPATRIATION ISSUE. (MONEY DIFFERENCE WAS SMALL;ESSO CALCULATED LOSS
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OF DOL. 3-500,000 OVER 5-7 YEARS ON SNPP PAYMENT TERMS.)

HOWEVER, DEADLOCK ON MANAGEMENT ISSUE WAS OVERRIDING AND ESSO PRICE/REPATRIATION FORMULA NOT PURSUED FURTHER.

3. NEGOTIATIONS BASICALLY FOUNDERED ON DISAGREEMENT OVER DIVISION OF MANAGEMENT CONTROL. SNPP WANTED PRESIDENCY OF BOARD PLUS VETO OVER ESSO NOMINEE FOR DIRECTOR GENERAL. ALSO WANTED PREDOMINANT VOTE IN BOARD EXCEPT ON SPECIFIED MONEY ISSUES. DIVISION OF AUTHORITY BETWEEN DIRECTOR GENERAL AND PRESIDENT ALSO AT ISSUE. WHILE CONCEDING PRESIDENCY TO SNPP, ESSO TOOK POSITION THAT 50-50 PARTNERSHIP ENTITLED THEM TO VOTING EQUALITY ON BOARD AND EFFECTIVE RIGHT TO NAME DIRECTOR GENERAL AND CONTROL DAY-TO-DAY OPERATIONS. NEGOTIATORS INSIST ESSO MANAGEMENT WILL NOT TAKE LESS THAN EQUALITY IF PARTNERSHIP TO BE 50-50 AND WILL NOT SURRENDER USE OF TRADE MARK TO DE FACTO SNPP CONTROL.

4. FURTHER DEVELOPMENT ADDED TO DEADLOCK LAST WEEK WHEN SNPP VETOED ESSO NOMINEE FOR FUTURE DIRECTOR / GENERAL(ESSO HAD AGREED TO TRAIN MOROCCAN AS DIRGEN WITHIN TWO YEARS). SNPP BROUGHT IN LAST WEEK AS PRO TEM DIRGEN, UNDER REQUISITION , FORMER ESSO EMPLOYEE WHO HAD LEFT ESSO LAST YEAR BECAUSE HE WAS TURNED DOWN AS FUTURE DIRGEN. DOUEIB CONVEYED INFORMALLY SNPP WISH THAT THIS MAN BE NAMED AS ESSO NOMINEE AND INSISTED ON BINDING CHOICE NOW, WITH NO ESSO RIGHT TO CHANGE DURING TWO YEAR TRAINING PERIOD. ESSO REGARDS THIS AS SNPP EFFORT NOT ONLY TO CONTROL CHOICE OF DIRGEN BUT TO LOCK IN NOMINEE ESSO AFRICA MANAGEMENT HAD PREVIOUSLY REJECTED AS UNQUALIFIED.

5. COMMENT: WHATEVER THE MERITS, IT IS CLEAR FROM EXTENSIVE CONVERSATION WITH ESSO NEGOTIATORS AND INDIRECT INFORMATION FROM MOROCCAN SOURCES RE SNPP VIEWS, THAT BOTH SIDES ARE NOW FIRM ON WHAT THEY REGARD AS PRINCIPLE AND, BARRING UNFORESEEABLE CHANGE BY ONE PARTY, GAP IS UNBRIDGEABLE. IT IS UNCLEAR WHAT THE LEGAL SEQUENCE OF STEPS WILL BE BUT MOVE TO WITHDRAW TRADEMARK (WHICH EXXON WILL ALLEGEDLY INSIST ON SOON) WILL PRESUMABLY FORMALIZE BREAKDOWN. DIFFICULT TO PREDICT WHAT NEXT GOM STEP BEYOND REQUISITION MAY BE, SINCE THEY PROBABLY RELUCTANT TO TAKE AN ACTION THAT COULD BE LABELLED EXPROPRIATION. ISSUES ON WHICH ESSO CONFIDENTIAL

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BALKED (BLOCKAGE OF REPATRIATION OF PROCEEDS AT CONTROLLED , LOW INTEREST; AND SNPP DOMINANT MANAGEMENT CONTROL) WERE ISSUES ON WHICH ALL OTHER COMPANIES HAD CONCEDED; SNPP FEELS AGGRIEVED THAT ESSO UNWILLING TO ACCEPT SAME TERMS OTHERS HAD ACCEPTED. IN ANY EVENT, IN ADDITION TO SUBSTANTIVE ISSUES, IT APPEARS NOW THAT ATMOSPHERE AND RELATIONS BETWEEN TWO PARTIES HAVE DETERIORATED; FURTHER AND SUCCESSFUL NEGOTIATIONS ARE A DIM PROSPECT.

BRUBECK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PETROLEUM INDUSTRY, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CASABL00079
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750040-0695
From: CASABLANCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750275/aaaacpqz.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 CASABLANCA 012
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2003 by ShawDG>; APPROVED <10 NOV 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BREAKDOWN OF ESSO-SNPP NEGOTIATIONS
TAGS: EINV, ENRG, EIND, MO, ESSO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006